CAPITAL FARM CREDIT

PROUD MEMBER OF THE FARM CREDIT SYSTEM

Quarterly Report To Stockholders

For the Quarter Ended June 30, 2022

REPORT OF MANAGEMENT

The undersigned certify that this quarterly report has been reviewed and prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge and belief.

Jeff Norte,
Chief Executive Officer

John Malazzo,
Chairman, Board of Directors

Sally Lawson,
Chief Financial Officer

August 9, 2022

Second Quarter 2022 Financial Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands)

The following commentary reviews the financial performance of Capital Farm Credit, ACA, referred to as the association, for the quarter ended June 30, 2022. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2021 Annual Report to Stockholders. The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder. The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA. The consolidated financial statements were prepared under the oversight of the association's audit committee.

While the general Texas economy continues to be strong with low unemployment and continued growth, the agricultural sector has been impacted significantly by inflation and drought. Input costs, especially fertilizer and fuel, have continued to climb throughout 2022 and drought conditions have worsened in the second quarter for much of the state. While strong commodity prices and crop insurance are generally high enough to offset these increased costs for row crop producers, livestock operators are being forced to purchase supplemental feed or shrink their herd by selling off part or all of their cattle. The Federal Open Market Committee (FOMC) continues to raise short-term rates at a significant clip in an effort to curb inflation. Several more rate hikes are anticipated in 2022 and into 2023. These actions are representative of the FOMC's strong commitment to lower inflation. The association remains strong with good credit quality, efficient operations producing solid earnings, and a sustainable capital position.

Rating Agency Actions

Fitch Ratings Actions
On January 11, 2021, Fitch Ratings assigned the association an initial long-term issuer default ratings (IDRs) at "BBB" with a stable outlook. Fitch also assigned a rating of "BB-" for the association's noncumulative perpetual preferred stock. Fitch reaffirmed the association's "BBB" with a stable outlook rating on January 10, 2022.

S&P Global Rating Actions
On January 11, 2021, S&P assigned the association an initial long-term issuer default rating at "BBB" with a stable outlook. S&P Global Ratings also assigned a rating of "BB" for the association's noncumulative perpetual preferred stock. S&P reaffirmed the association's "BBB" with a stable outlook rating on December 23, 2021.

Patronage Refunds by Association

The board of directors approved a $233,769 patronage distribution for 2021. Of that amount, $108,069 of this distribution was paid in cash in March 2022, and $125,700 will be distributed in the form of nonqualified allocated equity, which means the owners of these distributions will not pay federal income taxes until the equities are retired. It is the board's intention with these allocations to assign ownership of the earnings of the association, allowing the stockholders to benefit more fully from the earnings of the association and to create a method to make future equity distributions in the form of cash. Though there is not a planned retirement of these allocated equities, the board of directors will make an annual evaluation of the association's capital position and determine if some cash retirements of these equities can be made. In 2020, the board of directors approved a $215,865 patronage distribution with cash patronage payable of $98,280 and $117,585 in nonqualified allocations. In March 2021, the association finalized the computation of these distributions, which resulted in an increase in cash patronage payable of $92 for an actual cash distribution of $98,372, which was paid in March 2021.

In September 2021, the board of directors approved a resolution to retire $60,000 in nonqualified allocated equities which was paid to the recipients in December 2021. The retirement was a distribution of the remaining earnings allocated in 2012 and 24 percent of the earnings allocated in 2013.

Loan Portfolio

Total loans outstanding at June 30, 2022, including nonperforming loans, were $11,123,652 compared to $10,456,511 at December 31, 2021, reflecting an increase of $667,141, or approximately 6.4 percent, with increases in the real estate mortgage, farm-related business, energy, production and intermediate term, water and waste disposal, and communication industries. This rate of growth is a result of an attractive rate environment during the first quarter of 2022 and significant increase in demand for rural properties for the first half of 2022.

The association's portfolio quality remains strong. Despite an increase in high-risk assets, overall credit quality has improved slightly to 98.2 percent acceptable at June 30, 2022 compared to 97.9 percent at December 31, 2021. Substandard loans decreased from 0.9 percent at December 31, 2021 to 0.7 percent at June 30, 2022, and other assets especially mentioned decreased from 1.2 percent at

December 31, 2021 to 1.1 percent at June 30, 2022. The association recorded $423 in recoveries and $267 in charge-offs for the six months ended June 30 2022, and $202 in recoveries and $320 in charge-offs for the same period in 2021. The association's allowance for loan losses was 0.2 percent of total loans outstanding as of June 30, 2022, and December 31, 2021.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The association's high-risk assets increased by 38.2 percent in the first six months of 2022 primarily as a result of a large credit being downgraded to nonaccrual during the quarter. The increase occurred in the areas of nonaccrual and formally restructured loans. The following table summarizes the association's components and trends of high-risk assets:

	June 30, 2022	%	December 31, 2021	%
Nonaccrual loans	**$ 55,742**	**83.1**	$ 38,111	78.5
Loans 90 days past due and still accruing interest	**275**	**0.4**	736	1.5
Formally restructured loans	**10,298**	**15.3**	8,804	18.1
Other property owned, net	**801**	**1.2**	927	1.9
Total	**$ 67,116**	**100.0**	$ 48,578	100.0

Nonaccrual loans increased $17,631 during the six months ended June 30, 2022, with increases in the real estate mortgage, lease receivables and production and intermediate-term, offset by decreases in the energy, farm-related business and rural residential real estate industries. Nonaccrual loans were 0.5 percent of total loans outstanding at June 30, 2022, compared to 0.4 percent at December 31, 2021.

Loans that are 90 or more days past due and still accruing interest decreased $461 in the six months ended June 30, 2022 in the production and intermediate-term industry offset by an increase in real estate mortgage. These loans have a documented plan that details how and when the amount owed will be paid.

Formally restructured accrual loans increased $1,494 during the first six months of 2022. Most of these restructurings have been to extend the repayment terms for customers who were significantly affected by lower commodity prices. The association is cooperating with distressed borrowers to help them work through temporary repayment problems.

Other property owned decreased $126 during the first six months of 2022. The association is actively working with real estate professionals to ensure properties are accurately valued on the association's books and that proactive marketing activities are in place.

Management also continues to routinely evaluate and monitor counterparty and collateral risks in an effort to avoid concentrations that could result in excess exposure to a single counterparty or type of collateral. The loan portfolio management practices that are in place have been designed to ensure loans and industries with actual or potential problems are promptly identified, monitored and addressed in a manner that allows the lending staff to work with distressed customers and industries through periods of adversity.

Results of Operations

The association had net income of $139,365 and $69,128 for the six and three months ended June 30, 2022, respectively, compared to net income of $130,643 and $62,836 for the same periods in 2021, reflecting an increase of $8,722 and $6,292 or 6.7 and 10.0 percent, respectively. The increase in net income was primarily the result of an increase in interest income of $40,931 or 19.5 percent, an increase in noninterest income of $4,183 or 9.8 percent, partially offset by an increase in interest expense of $19,115 or 25.4 percent, an increase in noninterest expenses of $10,265 or 18.7 percent, and a decrease in the reversal of provision for loan losses of $7,017 or 88.8 percent, for the six month period ended June 30, 2022. The increase in net income for the three month period ended June 30, 2022, was primarily attributable to an increase in interest income of $22,898 or 21.4 percent, an increase in noninterest income of $4,191 or 22.6 percent, offset by a provision of $948 compared to a reversal of provision of $3,011 in the prior year, an increase in interest expense of $12,442 or 32.5 percent and an increase in noninterest expense of $4,397 or 16.1 percent compared to the same period of 2021.

Net interest income was $156,758 and $79,054 for the six and three months ended June, 2022, respectively, compared to $134,942 and $68,598 for the same periods in 2021, reflecting increases of $21,816 or 16.2 and $10,456 or 15.2 percent, respectively. Interest income for the six and three months ended June 30, 2022, increased by $40,931 and $22,898 or 19.5 and 21.4 percent from the same periods of 2021, respectively, primarily as a result of an increase in average earning assets of $1,885,876 for the six month period ended June 30, 2022. Interest expense for the six and three months ended June 30, 2022, increased by $19,155 and $12,442 or 25.4 and 32.5 percent, respectively, from the same period of 2021 due to an increase in the direct note and an increase in interest rates.

The effects of changes in average volume and interest rates on net interest income in the six months ended June 30, 2022, as compared with the corresponding period of the prior year, are presented in the following tables:

	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Average Balance	**Interest**	Average Balance	Interest
Accrual loans and investments	**$ 10,786,375**	**$251,190**	$ 8,900,499	$ 210,259
Interest-bearing liabilities	**9,263,685**	**94,432**	7,481,372	75,317
Impact of capital	**$ 1,522,690**		$ 1,419,127	
Net interest income		**$156,758**		$ 134,942

	Average Yield	Average Yield
Yield on loans	**4.70%**	4.76%
Cost of interest-bearing Liabilities	**2.06%**	2.03%
Net interest spread	**2.64%**	2.73%

	Six Month Ended June 30 2022 vs. 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income	**$ 44,551**	**$ (3,620)**	**$ 40,931**
Interest expense	**17,943**	**1,172**	**19,115**
Net interest income	**$ 26,608**	**$ (4,792)**	**$ 21,816**

The association's noninterest income for the six and three months ended June 30, 2022 increased $4,183 and $4,191 or 9.8 and 22.6 percent, from the same period in 2021. The increase in the six month ended June 30, 2022, is primarily a result of an increase in patronage from the Bank of $6,511 or 23.6 percent, and increase in gain on sale of premises and equipment of $669 or 222.3 percent, offset by decrease in loans fees of $1,964 or 39.0 percent, a decrease in financially related services income of $552 or 93.1 percent, a decrease in gain on other property owned of $66 or 100.0 percent, and a decrease in other noninterest income of $415 or 4.6 percent compared to the same period of 2021. The increase in the three month ended June 30, 2022, is primarily a result of an increase in patronage from the Bank of $3,799 or 27.3 percent, an increase in gain on sale of premises of equipment of $436 or 156.3 percent, an increase in other noninterest income of $1,290 or 82.0 percent, offset by decreases in loan fees of $774 or 35.6 percent, a decrease of $501 or 94.7 percent in financially related services income, and a decrease in gain on other property owned of $59 or 98.3 percent as compared to the same period of 2021.

Noninterest expenses for the six and three months ended June 30, 2022, increased by $10,265 and $4,397 or 18.7 or 16.1 percent, respectively, from the same periods of 2021. The increase in the six month period is driven primarily by increases in salary and benefits of $5,178 or 14.8 percent as a result of an increase in employee headcount, and insurance fund premiums of $3,205 or 57.9 percent as a result of an increase in rate and loan volume, slightly offset by a decrease in data processing of $45 or 4.6 percent and a decrease in other expenses of $4 or 0.6 percent from the same period of 2021. The increase in the three month period is driven by every expense category slightly offset by a decrease in other expenses of $22 or 5.9 percent, and a decrease in business insurance expense of $1 or 1.7 percent for the same period of 2021.

The association's return on average assets for the six months ended June 30, 2022,was 2.5 percent compared to 2.9 percent for the same period in 2021. The association's return on average equity for the six months ended June 30, 2022, was 16.5 percent, compared to 16.7 percent for the same period in 2021.

Liquidity and Funding Sources

The association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of System-wide obligations. The following schedule summarizes the association's borrowings.

	June 30, 2022	December 31, 2021
Note payable to the bank	**$9,554,507**	$8,873,812
Accrued interest on note payable	**17,794**	14,274
Total	**$9,572,301**	$8,888,086

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of $9,554,507 as of June 30, 2022, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 2.2 percent at June 30, 2022. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank since December 31, 2021, is due to the association's increase in loan volume and the distribution of the 2021 patronage refund. The increase in accrued interest on the note payable is the result of the increase in the interest rate from 1.8 percent at December 31, 2021 to 2.2 percent at June 30, 2022 and an increase in the direct note. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $1,556,155 at June 30, 2022. The maximum amount the association may borrow from the Bank as of June 30, 2022, was $10,931,407 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2023, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2022. As borrower payments are received, they are applied to the association's note payable with the Bank.

Capital Resources and Regulatory Matters

The association's capital position increased by $134,607 or 8.2 percent at June 30, 2022, compared to December 31, 2021 primarily as a result of net earnings for the period and dividend payments. The association's debt as a percentage of members' equity was 5.47:1 as of June 30, 2022, compared to 5.58:1 percent as of December 31, 2021. Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio remains in effect, with some modifications to align with the new regulations. As of June 30, 2022, the association exceeded all regulatory capital requirements. For more information, see Note 5-"Members Equity" in the accompanying financial statements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Relationship with the Farm Credit Bank of Texas

The association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2021 Annual Report of Capital Farm Credit more fully describe the association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The association's annual and quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Capital Farm Credit, ACA, P.O. Box 488, Hondo, Texas 78861 or calling (830) 426-4589. Copies of the association's quarterly and annual stockholder reports are also available on its website at *www.capitalfarmcredit.com* or can be requested by emailing *Javier.Lemus@capitalfarmcredit.com*.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Cash	$ -	$ -
Loans	11,123,652	10,456,511
Less: Allowance for losses	(22,279)	(22,996)
Net Loans	11,101,373	10,433,515
Accrued interest receivable - loans	69,313	64,852
Investment - held-to-maturity	1,715	1,952
Accrued interest receivable - investments	22	24
Investment in and receivable from the Bank:		
Capital stock	158,790	159,199
Receivable	38,908	21,842
Investment in Rural Business Investment Company (RBIC)	11,555	12,225
Investments in other Farm Credit Institutions	16,016	15,131
Other property owned, net	801	927
Premises and equipment, net	15,052	13,768
Right of use asset - leases	8,396	8,840
Other assets	19,542	19,592
Total assets	$ 11,441,483	$ 10,751,867
LIABILITIES		
Note payable to the Bank	$ 9,554,507	$ 8,873,812
Advanced conditional payments	17,903	11,686
Accrued interest payable	17,794	14,274
Lease liabilities	8,614	9,051
Drafts outstanding	728	904
Patronage distributions payable	7	108,075
Unfunded post retirement medical obligations	27,433	27,286
Reserve for unfunded commitments	342	357
Other liabilities	46,243	73,117
Total liabilities	9,673,571	9,118,562
MEMBERS' EQUITY		
Capital stock and participation certificates	28,687	28,410
Preferred stock	200,000	200,000
Non-qualified allocated retained earnings	803,147	803,147
Unallocated retained earnings	739,070	604,705
Accumulated other comprehensive loss	(2,992)	(2,957)
Total members' equity	1,767,912	1,633,305
Total liabilities and members' equity	$ 11,441,483	$ 10,751,867

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)
(UNAUDITED)

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest Income				
Loans	$ 129,744	$ 106,841	$ 251,146	$ 210,203
Investments	22	27	44	56
Total interest income	129,766	106,868	251,190	210,259
Interest Expense				
Note payable to the Bank	50,704	38,270	94,423	75,316
Advance conditional payments	8	-	9	1
Total interest expense	50,712	38,270	94,432	75,317
Net interest income	79,054	68,598	156,758	134,942
Provision for Loan Losses				
Provision (reversal) for loan losses	948	(3,011)	(888)	(7,905)
Net interest income after provision for losses	78,106	71,609	157,646	142,847
Noninterest Income				
Patronage income from the Bank	17,716	13,917	34,125	27,614
Loan fees	1,398	2,172	3,075	5,039
Financially related services income	28	529	41	593
Gain on sale of premises and equipment, net	715	279	970	301
Gain on other property owned, net	1	60	-	66
Other noninterest income	2,863	1,573	8,602	9,017
Total noninterest income	22,721	18,530	46,813	42,630
Noninterest Expense				
Salaries and employee benefits	18,827	17,935	40,260	35,082
Insurance Fund premium	5,373	2,811	8,744	5,539
Occupancy and equipment	1,385	1,372	3,131	3,095
Purchased services	839	749	2,086	1,813
Advertising	1,041	935	1,923	1,715
Public and member relations	942	755	1,910	1,409
Travel	863	722	1,281	1,203
Business Insurance Expense	58	59	1,248	1,145
Supervisory and exam expense	557	532	1,115	1,064
Data processing	497	407	937	982
Communications	340	316	608	568
Training	334	103	549	146
Director's expense	290	231	546	434
Loss on other property owned, net	-	-	126	-
Other noninterest expenses	351	373	632	636
Total noninterest expenses	31,697	27,300	65,096	54,831
Income before income tax	69,130	62,839	139,363	130,646
Provision for (benefit from) income tax	2	3	(2)	3
Net income	$ 69,128	$ 62,836	$ 139,365	$ 130,643
Other comprehensive (loss) income:				
Change in postretirement benefit plans	(18)	11	(35)	22
Income tax expense related items of other comprehensive income	-	-	-	-
Other comprehensive (loss) income, net of tax	(18)	11	(35)	22
COMPREHENSIVE INCOME	$ 69,110	$ 62,847	$ 139,330	$ 130,665

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Dollars in thousands)
(UNAUDITED)

	Capital Stock/ Participation Certificates	Preferred Stock	Retained Earnings Non-qualified Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 27,043	$ -	$ 737,454	$ 590,617	$ (3,557)	$ 1,351,557
Net income	-	-	-	130,643	-	130,643
Other comprehensive income	-	-	-	-	22	22
Capital stock/participation certificates issued	3,467	-	-	-	-	3,467
Capital stock/participation certificates/ allocated equities retired	(2,699)	-	-	-	-	(2,699)
Preferred stock issued		200,000				200,000
Issuance cost on preferred stock				(4,701)		(4,701)
Preferred stock dividends				(4,056)		(4,056)
Change in patronage declared and paid	-	-	-	(92)	-	(92)
Balance at June 30, 2021	27,811	200,000	737,454	712,411	(3,535)	1,674,141
Net income	-	-	-	131,070	-	131,070
Other comprehensive income	-	-	-	-	578	578
Capital stock/participation certificates issued	3,040	-	-	-	-	3,040
Capital stock/participation certificates/ allocated equities retired	(2,441)	-	(60,000)	-	-	(62,441)
Preferred stock issued	-	-	-	-	-	-
Issuance cost on preferred stock	-	-	-	(6)	-	(6)
Preferred stock dividends	-	-	-	(5,000)	-	(5,000)
Patronage distributions declared:						
Cash	-	-	-	(108,069)	-	(108,069)
Nonqualifed allocations	-	-	125,700	(125,700)	-	-
Change in patronage declared and paid	-	-	(7)	(1)	-	(8)
Balance at December 31, 2021	28,410	200,000	803,147	604,705	(2,957)	1,633,305
Net income	-	-	-	139,365	-	139,365
Other comprehensive (loss)	-	-	-	-	(35)	(35)
Capital stock/participation certificates issued	3,072	-	-	-	-	3,072
Capital stock/participation certificates/ allocated equities retired	(2,795)	-	-	-	-	(2,795)
Preferred stock issued	-	-	-	-	-	-
Preferred stock dividends	-	-	-	(5,000)	-	(5,000)
Patronage distributions declared:						
Cash	-	-	-	-	-	-
Nonqualifed allocations	-	-	-	-	-	-
Change in patronage declared and paid	-	-	-	-	-	-
Balance at June 30, 2022	**$ 28,687**	**$ 200,000**	**$ 803,147**	**$ 739,070**	**$ (2,992)**	**$ 1,767,912**

The accompanying notes are an integral part of these consolidated financial statements.

CAPITAL FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Capital Farm Credit, ACA including its wholly owned subsidiaries, Capital Farm Credit, PCA and Capital Farm Credit, FLCA, (collectively called the "association"), is a member-owned cooperative which provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes in 192 counties in the state of Texas. The association is a lending institution of the Farm Credit System (System) which was established by acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act), to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021 as contained in the 2021 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the association at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain entities. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The association qualifies for the delay in the adoption date. The association continues to evaluate the impact of adoption on the association's financial condition and its results of operations.

NOTE 2 — INVESTMENTS:

Investments Held-to-Maturity

The association's held-to-maturity investment consists of Farmer Mac guaranteed agricultural mortgage-backed securities (AMBS). A summary of the amortized cost and fair value of investment securities held-to-maturity is as follows:

June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 1,715	$ -	$ (104)	$ 1,611	5.05%	4.01

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield	Weighted Average Life (Years)
Agricultural mortgage-backed securities	$ 1,952	$ 696	$ -	$ 2,648	4.70%	3.15

The Farmer Mac AMBS were received in exchange for mortgage loans which were previously covered under the long-term standby commitments to purchase agreement with Farmer Mac. No gain or loss was recognized in the financial statements upon completion of the exchange transactions. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The association has not experienced any impairments of these securities. Farmer Mac guarantees the underlying mortgages, and the association has the ability and intent to hold these securities to maturity or pay-off and it is unlikely the association would be required to sell these securities. These AMBS have contractual weighted average maturities of 4.0 years as of June 30, 2022; however, expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Industry	**June 30 2022**	**%**	December 31 2021	%
Real estate mortgage	**$ 8,558,930**	**77.0**	$ 8,143,710	77.9
Production and intermediate term	**1,172,121**	**10.5**	1,149,515	11.0
Farm-related business	**962,548**	**8.7**	812,101	7.8
Rural residential real estate	**115,831**	**1.0**	116,927	1.1
Communication	**160,945**	**1.4**	124,729	1.2
Energy	**120,463**	**1.1**	87,493	0.8
Lease receivables	**18,682**	**0.2**	18,793	0.2
Mission-related investments	**1,803**	**0.0**	1,877	0.0
Water and waste disposal	**12,329**	**0.1**	1,366	0.0
Total	**$ 11,123,652**	**100.0**	$ 10,456,511	100.0

At June 30, 2022, the association held two transactions, which are reported as loans on the consolidated balance sheet totaling $1,803 and with $0 in remaining commitments extended under the Rural America Bond Program approved by the FCA. The program is designed to meet the growing and changing needs of agricultural enterprises, agribusinesses and rural communities by providing investment in rural areas.

The association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against loans as presented on the balance sheet. The association held $111,194 and $111,205 in funds which were netted against the loan balance at June 30, 2022 and December 31, 2021, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were $17,903 and $11,686 on the balance sheet at June 30, 2022, and December 31, 2021, respectively.

The association purchases or sells participation interests in loans with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold as of June 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	228,783	1,073,512	-	-	$ 228,783	$ 1,073,512
Production and Intermediate-term	478,912	890,783	1,414	-	480,326	890,783
Farm-related business	714,871	114,645	2,474	-	717,345	114,645
Energy	120,463	-	-	-	120,463	-
Communication	160,945	-	-	-	160,945	-
Mission-related investments	1,803	-	-	-	1,803	-
Lease receivables	18,682	-	-	-	18,682	-
Water and waste disposal	12,329	-	-	-	12,329	-
Total	$ 1,736,788	$ 2,078,940	$ 3,888	$ -	$ 1,740,676	$ 2,078,940

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	**$ 31,057**	$ 16,450
Production and intermediate-term	**14,334**	8,662
Farm-related business	**-**	2,005
Rural residential real estate	**164**	252
Energy	**8,850**	10,742
Lease receivable	**1,337**	-
Total nonaccrual loans	**$ 55,742**	$ 38,111
Accruing restructured loans:		
Real estate mortgage	**$ 5,045**	$ 5,147
Production and intermediate-term	**1,881**	1,936
Farm-related business	**1,736**	-
Mission-related investments	**1,822**	1,896
Total accruing restructured loans	**$ 10,484**	$ 8,979
Accruing loans 90 days or more past due:		
Real estate mortgage	**$ 279**	$ -
Production and intermediate-term	**-**	785
Total accruing loans 90 days or more past due	**$ 279**	$ 785
Total nonperforming loans	**$ 66,505**	$ 47,875
Other property owned	**801**	927
Total nonperforming assets	**$ 67,306**	$ 48,802

One credit quality indicator utilized by the association is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**98.8%**	98.6%
OAEM	**0.7%**	0.9%
Substandard/doubtful	**0.5%**	0.5%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	**96.3%**	96.8%
OAEM	**2.1%**	1.1%
Substandard/doubtful	**1.6%**	2.1%
	100.0%	100.0%
Farm-related business		
Acceptable	**95.2%**	94.1%
OAEM	**3.8%**	4.7%
Substandard/doubtful	**1.0%**	1.2%
	100.0%	100.0%
Rural residential real estate		
Acceptable	**98.9%**	98.8%
OAEM	**0.9%**	0.8%
Substandard/doubtful	**0.2%**	0.4%
	100.0%	100.0%
Energy		
Acceptable	**92.7%**	87.8%
OAEM	-	-
Substandard/doubtful	**7.3%**	12.2%
	100.0%	100.0%
Communication		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Mission-related investments		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Lease receivables		
Acceptable	**92.9%**	94.1%
OAEM	**-**	-
Substandard/doubtful	**7.1%**	5.9%
	100.0%	100.0%
Water and waste disposal		
Acceptable	**100.0%**	100.0%
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0%	100.0%
Total Loans		
Acceptable	**98.2%**	97.9%
OAEM	**1.1%**	1.2%
Substandard/doubtful	**0.7%**	0.9%
	100.0%	100.0%

There were no loans and related interest in the loss category.

The following table provides an age analysis of past due loans (including accrued interest) as of:

June 30, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	**$ 60,666**	**$ 12,380**	**$ 73,046**	**$ 8,543,009**	**$ 8,616,055**	**$ 279**
Production and intermediate-	**12,828**	**2,032**	**14,860**	**1,165,487**	**1,180,347**	**-**
Farm-related business	**122**	**-**	**122**	**965,503**	**965,625**	**-**
Rural residential real estate	**1,119**	**28**	**1,147**	**115,093**	**116,240**	**-**
Energy	**-**	**8,076**	**8,076**	**112,673**	**120,749**	**-**
Communication	**-**	**-**	**-**	**161,048**	**161,048**	**-**
Mission-related investments	**-**	**-**	**-**	**1,822**	**1,822**	**-**
Lease receivables	**-**	**321**	**321**	**18,428**	**18,749**	**-**
Water and waste disposal	**-**	**-**	**-**	**12,330**	**12,330**	**-**
Total	**$ 74,735**	**$ 22,837**	**$ 97,572**	**$ 11,095,393**	**$ 11,192,965**	**$ 279**

December 31, 2021	30-89 Days Past Due	90 Days or More	Total Past Due	Not Past Due or less than 30	Total Loans	Loans > 90 Days and Accruing
Real estate mortgage	$ 66,499	$ 5,969	$ 72,468	$ 8,126,322	$ 8,198,790	$ -
Production and intermediate-term	6,774	4,910	11,684	1,144,529	1,156,213	785
Farm-related business	408	-	408	813,956	814,364	-
Rural residential real estate	1,775	-	1,775	115,533	117,308	-
Energy	-	8,076	8,076	79,660	87,736	-
Communication	-	-	-	124,841	124,841	-
Mission-related investments	-	-	-	1,896	1,896	-
Lease receivables	-	-	-	18,849	18,849	-
Water and waste disposal	-	-	-	1,366	1,366	-
Total	$ 75,456	$ 18,955	$ 94,411	$ 10,426,952	$ 10,521,363	$ 785

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the association for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2022, the total recorded investment of troubled debt restructured loans was $16,808, including $6,510 classified as nonaccrual and $10,298 classified as accrual, with specific allowance for loan losses of $373. Commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were $88 and $783 as of June 30, 2022 and at December 31, 2021, respectively.

The following tables present additional information regarding troubled debt restructurings, which includes both accrual and nonaccrual loans with troubled debt restructuring designation, that occurred during the six and three months ended June 30, 2022. The premodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end prior to the restructuring. The postmodification outstanding recorded investment represents the recorded investment of the loans as of the quarter end the restructuring occurred.

	Troubled Debt Restructuring Activity			
	2022		2021	
Three months ended June 30:	**Pre-TDR Designation Balance**	**Post-TDR Designation Balance**	Pre-TDR Designation Balance	Post-TDR Designation Balance
Production and intermediate-term	**$ 299**	**$ 299**	$ 47	$ 41
Total	**$ 299**	**$ 299**	$ 47	$ 41

Six months ended June 30:	2022 Pre-TDR Designation Balance	2022 Post-TDR Designation Balance	2021 Pre-TDR Designation Balance	2021 Post-TDR Designation Balance
Real estate mortgage	$ -	$ -	$ 3,515	$ 3,566
Production and intermediate-term	299	299	479	402
Total	$ 299	$ 299	$ 3,994	$ 3,968

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded at the modification date for the six and three months ended June 30, 2022.

The predominant form of concession granted for troubled debt restructuring includes extension of terms. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table presents information regarding loans that met the accounting criteria as a troubled debt restructrings and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

	Recorded Investment at June 30, 2022	Recorded Investment at June 30, 2021
TDR that subsequently defaulted:		
Real estate mortgage	$ -	$ 2,382
Total	$ -	$ 2,382

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. As a result of a restructure to an existing TDR loan, a reclassification of a loan purpose code was made for a loan from the energy industry to the farm-related business industry during the first quarter of 2022. These loans are included as impaired loans in the impaired loan table at:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Real estate mortgage	$ 7,826	$ 7,662	$ 2,885	$ 2,605
Production and intermediate-term	5,450	7,752	3,625	5,882
Mission related investments	1,803	1,877	-	-
Farm-related business	1,729	-	-	-
Energy	-	1,799	-	1,799
Total	$ 16,808	$ 19,090	$ 6,510	$ 10,286

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	At June 30, 2022			At December 31, 2021		
	Recorded Investment	**Unpaid Principal Balance**	**Related Specific Allowance**	Recorded Investment	Unpaid Principal Balance	Related Specific Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage	**$ 2,913**	**$ 3,057**	**$ 222**	$ 566	$ 564	$ 70
Production and intermediate-term	**2,461**	**2,786**	**609**	4,286	5,301	1,133
Farm-related business	**-**	**-**	**-**	2,005	2,005	368
Rural residential real estate	**28**	**48**	**1**	28	48	2
Energy	**8,850**	**8,856**	**2,168**	10,742	10,749	3,357
Mission-related investments	**-**	**-**	**-**	127	127	47
Total	**$ 14,252**	**$ 14,747**	**$ 3,000**	$ 17,754	$ 18,794	$ 4,977
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 33,360**	**$ 33,298**	**$ -**	$ 20,941	$ 20,934	$ -
Production and intermediate-term	**13,697**	**19,721**	**-**	6,982	13,101	-
Farm-related business	**1,729**	**3,341**	**-**	-	1,611	-
Rural residential real estate	**136**	**136**	**-**	224	250	-
Energy	**-**	**-**	**-**	-	-	-
Mission-related investments	**1,803**	**1,803**	**-**	1,750	1,750	-
Lease receivables	**1,337**	**1,337**	**-**	-	-	-
Total	**$ 52,062**	**$ 59,636**	**$ -**	$ 29,897	$ 37,646	$ -
Total impaired loans:						
Real estate mortgage	**$ 36,273**	**$ 36,355**	**$ 222**	$ 21,507	$ 21,498	$ 70
Production and intermediate-term	**16,158**	**22,507**	**609**	11,268	18,402	1,133
Farm-related business	**1,729**	**3,341**	**-**	2,005	3,616	368
Rural residential real estate	**164**	**184**	**1**	252	298	2
Energy	**8,850**	**8,856**	**2,168**	10,742	10,749	3,357
Mission-related investments	**1,803**	**1,803**	**-**	1,877	1,877	47
Lease receivables	**1,337**	**1,337**	**-**	-	-	-
Total	**$ 66,314**	**$ 74,383**	**$ 3,000**	$ 47,651	$ 56,440	$ 4,977

Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended June 30, 2022		For the Three Months Ended June 30, 2021		**For the Six Months Ended June 30, 2022**		For the Six Months Ended June 30, 2021	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized	**Average Impaired Loans**	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:								
Real estate mortgage	**$ 2,304**	**$ -**	$ 208	$ 5	**$ 1,661**	**$ -**	$ 183	$ 4
Production and intermediate-term	**2,580**	**1**	5,623	21	**3,171**	**3**	5,719	32
Farm-related business	**1,271**	**-**	2,169	-	**1,908**	**-**	2,205	-
Rural residential real estate	**28**	**-**	31	-	**28**	**-**	31	-
Energy	**8,880**	**-**	8,274	51	**9,205**	**-**	5,446	87
Mission-related investments	**83**	**-**	128	3	**105**	**-**	735	5
Total	**$ 15,146**	**$ 1**	$ 16,433	$ 80	**$ 16,078**	**$ 3**	$ 14,319	$ 128
Impaired loans with no related allowance for loan losses:								
Real estate mortgage	**$ 24,693**	**$ 193**	$ 33,510	$ 285	**$ 22,984**	**$ 243**	$ 34,301	$ 590
Production and intermediate-term	**8,693**	**88**	13,593	65	**7,849**	**248**	13,667	141
Farm-related business	**1,729**	**17**	207	-	**1,153**	**17**	258	-
Rural residential real estate	**158**	**-**	185	5	**181**	**1**	202	10
Energy	**-**	**-**	12	-	**-**	**-**	12	-
Mission-related investments	**1,184**	**14**	1,775	27	**1,467**	**14**	1,192	55
Lease receivables	**840**	**15**	-	-	**518**	**34**	-	-
Total	**$ 37,297**	**$ 327**	$ 49,282	$ 382	**$ 34,152**	**$ 557**	$ 49,632	$ 796
Total impaired loans:								
Real estate mortgage	**$ 26,997**	**$ 193**	$ 33,718	$ 290	**$ 24,645**	**$ 243**	$ 34,484	$ 594
Production and intermediate-term	**11,273**	**89**	19,216	86	**11,020**	**251**	19,386	173
Farm-related business	**3,000**	**17**	2,376	-	**3,061**	**17**	2,463	-
Rural residential real estate	**186**	**-**	216	5	**209**	**1**	233	10
Energy	**8,880**	**-**	8,286	51	**9,205**	**-**	5,458	87
Mission-related investments	**1,267**	**14**	1,903	30	**1,572**	**14**	1,927	60
Lease receivables	**840**	**15**	-	-	**518**	**34**	-	-
Total	**$ 52,443**	**$ 328**	$ 65,715	$ 462	**$ 50,230**	**$ 560**	$ 63,951	$ 924

A summary of changes in the allowance for loan losses and the ending balance including accrued interest of loans:

	Real Estate Mortgage	Production and Intermediate Term	Farm related business	Rural Residential Real Estate	Energy and Water/Waste Disposal	Communication	Mission Related Investments	Lease Receivable	Total
Allowance for credit losses:									
Balance at March 31, 2022	$ 11,611	$ 4,510	$ 2,791	$ 40	$ 2,304	$ 159	$ 48	$ 54	$ 21,517
Charge-offs	(10)	(213)	-	-	-	-	-	-	(223)
Recoveries	-	40	-	-	-	-	-	-	40
(Reversal) provision for loan losses	1,047	341	(356)	(11)	2	(4)	(47)	(24)	948
Transfer from reserve on unfunded commitments	4	(7)	(3)	-	2	1	-	-	(3)
Balance at June 30, 2022	$ 12,652	$ 4,671	$ 2,432	$ 29	$ 2,308	$ 156	$ 1	$ 30	$ 22,279
Balance at December 31, 2021	11,221	5,501	2,519	38	3,476	128	47	66	$ 22,996
Charge-offs	(53)	(214)	-	-	-	-	-	-	(267)
Recoveries	-	422	1	-	-	-	-	-	423
(Reversal) provision for loan losses	1,476	(1,014)	(117)	(9)	(1,170)	28	(46)	(36)	(888)
Transfer from reserve on unfunded commitments	8	(24)	29	-	2	-	-	-	15
Balance at June 30, 2022	$ 12,652	$ 4,671	$ 2,432	$ 29	$ 2,308	$ 156	$ 1	$ 30	$ 22,279
Allowance for loan losses:									
Ending Balance at June 30, 2022									
Individually evaluated for impairment	$ 222	$ 609	$ -	$ 1	$ 2,168	$ -	$ -	$ -	$ 3,000
Collectively evaluated for impairment	$ 12,430	$ 4,062	$ 2,432	$ 28	$ 140	$ 156	$ 1	$ 30	$ 19,279
Balance at March 31, 2021	$ 11,856	$ 8,130	$ 2,845	$ 84	$ 3,098	$ 164	$ 46	$ 292	$ 26,515
Charge-offs	-	(149)	-	-	-	-	-	-	(149)
Recoveries	(1)	157	-	-	-	-	-	-	156
Provision (reversal) for loan losses	(1,810)	(1,330)	(336)	(11)	611	(47)	(1)	(87)	(3,011)
commitments	8	141	8	-	(14)	1	-	-	144
Balance at June 30, 2021	$ 10,053	$ 6,949	$ 2,517	$ 73	$ 3,695	$ 118	$ 45	$ 205	$ 23,655
Balance at December 31, 2020	$ 14,487	$ 11,394	$ 3,556	$ 87	$ 1,522	$ 151	$ 45	$ 350	$ 31,592
Charge-offs	-	(320)	-	-	-	-	-	-	(320)
Recoveries	7	195	-	-	-	-	-	-	202
Provision (reversal) for loan losses	(4,454)	(4,396)	(1,050)	(14)	2,187	(33)	-	(145)	(7,905)
commitments	13	76	11	-	(14)	-	-	-	86
Balance at June 30, 2021	$ 10,053	$ 6,949	$ 2,517	$ 73	$ 3,695	$ 118	$ 45	$ 205	$ 23,655
Allowance for loan losses:									
Ending Balance at June 30, 2021									
individually evaluated for impairment	$ 30	$ 1,603	$ 368	$ 4	$ 3,586	$ -	$ 45	$ -	$ 5,636
collectively evaluated for impairment	$ 10,023	$ 5,346	$ 2,149	$ 69	$ 109	$ 118	$ -	$ 205	$ 18,019
Recorded Investments in Loans Outstanding:									
Ending Balance at June 30, 2022	$ 8,616,055	$ 1,180,347	$ 965,625	$ 116,240	$ 133,079	$ 161,048	$ 1,822	$ 18,749	$ 11,192,965
Individually evaluated for impairment	$ 36,381	$ 16,215	$ 1,736	$ 164	$ 8,850	$ -	$ 1,822	$ 1,337	$ 66,505
Collectively evaluated for impairment	$ 8,579,674	$ 1,164,132	$ 963,889	$ 116,076	$ 124,229	$ 161,048	$ -	$ 17,412	$ 11,126,460
Ending Balance at December 31, 2021	$ 8,198,790	$ 1,156,213	$ 814,364	$ 117,308	$ 89,102	$ 124,841	$ 1,896	$ 18,849	$ 10,521,363
Individually evaluated for impairment	$ 21,598	$ 11,383	$ 2,005	$ 252	$ 10,742	$ -	$ 1,896	$ -	$ 47,876
Collectively evaluated for impairment	$ 8,177,192	$ 1,144,830	$ 812,359	$ 117,056	$ 78,360	$ 124,841	$ -	$ 18,849	$ 10,473,487

NOTE 4 —LEASES:

The association evaluates arrangements at inception to determine if it meets the criteria for a lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet with lease expense recognized on a straight-line basis over the lease term. Operating leases with terms greater than 12 months are included in right of use asset-leases (ROU) and lease liabilities on the balance sheet.

ROU assets represent the association's right to use an underlying asset for the lease term and lease liabilities represent the association's obligation to make lease payments arising from the lease. Operating ROU assets and liabilities are recognized based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the association's operating leases, the discount rates used to determine the present value of the association's lease liability are based on the association's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the association's cost of funds from the Bank over a similar term at an amount equal to the lease payments in a similar economic environment. The association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is included in "Occupancy and equipment" in the income statement.

The components of lease expense were as follows:

		For the Three Months Ended		For the Six Months Ended	
	Classification	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Operating lease expense	Operating	**$ 706**	$ 642	**$ 1,386**	$ 1,276
Short-term lease expense	Operating	**62**	63	**123**	126
Total lease expense		**$ 768**	$ 705	**$ 1,509**	$ 1,402

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 693**	$ 633	**$ 1,375**	$ 1,257
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	**498**	250	**518**	574

Lease term and discount rate are as follows:

	June 30, 2022	December 31, 2021
Weighted average remaining lease term in years		
Operating leases	**3.2**	3.4
Weighted average discount rate		
Operating leases	**2.1**	2.1

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows:

	Operating Leases
2022 (excluding the six months ended 6/30/2022)	**$ 1,373**
2023	2,457
2024	1,915
2025	1,138
2026	617
Thereafter	1,359
Total lease payments	8,859
Less: interest	-
Total	$ 8,859

NOTE 5 — MEMBERS EQUITY:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected patronage, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

In January 19, 2021 the association issued $200,000 in noncumulative perpetual preferred stock. The decision to issue preferred stock came in response to the high level of loan growth in 2020 and expected continued growth. The issuance carries an annual dividend rate of 5.00 percent paid quarterly. The issuance will be callable March 15, 2026 and quarterly thereafter. If not called, the dividend will reset for the next five years to 4.52 percent over the five-year treasury on the call date. The association has made dividend payments on March 15 and June 15, 2022, for a total amount in 2022 of $5,000.

Regulatory Capital Ratios

	Regulatory Minimums	Conservatio Buffers	Total	As of June 30, 2022	As of December 31, 2021
Risk-adjusted:					
Common equity tier 1 ratio	4.5%	2.5%	7.0%	**11.6%**	12.4%
Tier 1 capital ratio	6.0%	2.5%	8.5%	**13.4%**	14.3%
Total capital ratio	8.0%	2.5%	10.5%	**13.6%**	14.5%
Permanent capital ratio	7.0%	0.0%	7.0%	**13.4%**	14.3%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.0%	1.0%	5.0%	**14.0%**	15.0%
UREE leverage ratio	1.5%	0.0%	1.5%	**4.7%**	7.3%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2022:

90 Day Average Balances (dollars in thousands)	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 685,478	$ 685,478	$ 685,478	$ 685,478
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	28,612	28,612	28,612	28,612
Allocated equities held ≥7 years	803,147	803,147	803,147	803,147
Nonqualified allocated equities not subject to retirement	-	-	-	-
Non-cumulative perpetual preferred stock	-	200,000	200,000	200,000
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	21,657	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(159,294)	(159,294)	(159,294)	(159,294)
Other regulatory required deductions	(1,523)	(1,523)	(1,523)	(1,523)
	1,356,420	1,556,420	1,578,077	1,556,420
Denominator:				
Risk-adjusted assets excluding allowance	11,806,688	11,806,688	11,806,688	11,806,688
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(160,817)	(160,817)	(160,817)	(160,817)
Allowance for loan losses	-	-	-	(21,319)
	11,645,871	11,645,871	11,645,871	11,624,552

90 Day Average Balances (dollars in thousands)	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 685,478	$ 685,478
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	28,612	-
Allocated equities held ≥7 years	803,147	
Non-cumulative perpetual preferred stock	200,000	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(159,294)	(159,294)
Other regulatory required deductions	(1,523)	(1,523)
	1,556,420	524,661
Denominator:		
Total Assets	11,282,826	11,282,826
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(198,678)	(198,678)
	11,084,148	11,084,148

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	2022	2021
Accumulated other comprensive (loss) at January 1	**$ (2,957)**	$ (3,557)
Amortization of prior service (credit) included in salaries and employee benefits	**(92)**	(92)
Amortization of actuarial loss included in salaries and employee benefits	**57**	114
Other comprehensive (loss) income, net of tax	**(35)**	22
Accumulated other comprensive (loss) at June 30	**$ (2,992)**	$ (3,535)

NOTE 6 — INCOME TAXES:

The association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 7 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 to the 2021 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a recurring basis, which are measured at fair value at the end of each reporting period on the association's consolidated balance sheet, are summarized below. The association did not have any liabilities measured at fair value on a recurring basis.

June 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	**$ 9,618**	**$ -**	**$ -**	**$ 9,618**
Total assets	**$ 9,618**	**$ -**	**$ -**	**$ 9,618**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 11,121	$ -	$ -	$ 11,121
Total assets	$ 11,121	$ -	$ -	$ 11,121

Assets and liabilities measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy levels are summarized below. The association did not have any liabilities measured at fair value on a nonrecurring basis.

June 30, 2022	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 11,252**	**$ 11,252**
Other property owned	**-**	**-**	**1,519**	**1,519**

December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 12,777	$ 12,777
Other property owned	-	-	1,704	1,704

Loans represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral. With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 15 to the 2021 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2021 Annual Report to Stockholders.

Investments

Include mortgage-backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac). Fair values are estimated using discounted cash flows considering market interest rates, estimated prepayment rates, probabilities of default and loss severities. Inputs depend significantly on management judgements and experience with the securities. These fair value measurements are classified as level 3 investments.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 8 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the six and three months ended June 30:

	For the three months ended June 30, Other Benefits		For the six months ended June 30, Other Benefits	
	2022	2021	**2022**	2021
Service Cost	**$ 90**	$ 96	**$ 179**	$ 192
Interest Cost	**211**	190	**422**	379
Expected return on plan assets	**-**	-	**-**	-
Amortization of prior service (credits)	**(46)**	(46)	**(92)**	(92)
Amortization of net actuarial loss	**28**	57	**57**	114
Net periodic benefit cost	**$ 283**	$ 297	**$ 566**	$ 593

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2022, was $27,433 and is included in "Unfunded post-retirement medical obligations" in the balance sheet.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. Contributions due and unpaid are recognized as a liability. For the DB plan, the association recognized costs of $1,542 and $2,218 for the six months ended June 30, 2022 and 2021. The decrease is a result of a decrease in the funding obligation due to retirements in 2021.

The association's contributions to the DC Plan are expensed as incurred. For the six months ended June 30, 2022 and 2021, the association recognized pension costs of $2,077 and $1,736, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. For the six month period ended June 30, 2022 and 2021, the association contributed $1,483 and $1,400, respectively.

The association also participates in a defined contribution nonqualified supplemental 401(k) plan. The total expenses of the nonqualified plan included in the association's employee benefit costs were $128 and $547 for the six months ended June 30, 2022 and 2021, respectively.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 9, 2022, which is the date the financial statements were issued and there are no other significant events requiring disclosure as of this date.